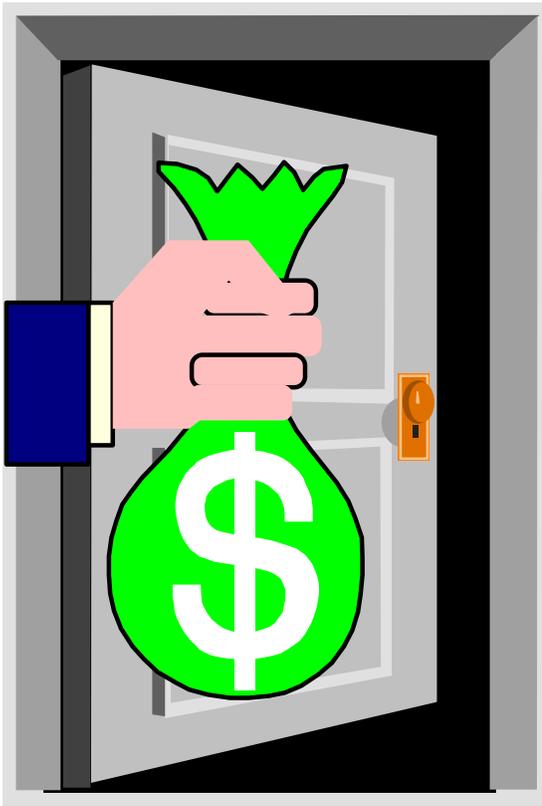


# Budget Results Council

## Funding and Work Authorization Subcommittee Report

10/1/98



Published by **Budget Results Council Funding and Work Authorization Subcommittee**

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## Executive Summary

### Objective

To improve efficiency of processes and reduce the cycle time for funding and Work Authorization/Program Guidance by 10/1/98.

### Deliverables

The Subcommittee included representatives from the Chief Financial Officer (CFO), Primary Secretarial Offices (PSO), Operations Offices and Contractors. Funding cycle time is not an issue when PSOs are able to finalize budget formulation and allocation decisions and issue the majority of funding at the beginning of a fiscal year. Funding authorization is a batch process, with cycle time varying from 39 to 81 days. If work authorization is not transmitted during this period, work may be delayed an additional month. In the short term, implementation of best practices and minimum standards for work authorization will reduce cycle time by an additional 10 to 20 percent. In the longer term, significant opportunities remain for further improvement through closer coupling of funding and work authorization and the integration and automation of systems across the Department of Energy complex.

The Subcommittee successfully completed the following deliverables:

- Developed a baseline for the funding and work authorization cycle (Appendix C)
- Documented process improvement initiatives (Appendix D)
- Developed a summary of issues and best practices (Appendix E)
- Developed recommendations to the Budget Results Council (BRC) on path-forward (report)

### Recommendations

The Subcommittee makes the following recommendations to the BRC:

- Request the CFO require PSOs comply with DOE Order 5700.7C, "Work Authorization System" and adopt the minimum standards for Work Authorization/Program Guidance defined in this report no later than the FY1999 December Approved Funding Program. These minimum standards should be included in the reformatting of DOE Order 5700.7C currently underway.
- Request that the CFO include in budget policy a requirement for PSOs to distribute full annual funding as early in the fiscal year as possible. This would make DOE's funding policy consistent with DOE Order 5700.7C, and will facilitate closer coupling of funding and work authorization.
- Strongly encourage Operations Offices and Contractors to implement best practices and to investigate further automation of funding and work authorization processes to reduce cycle time in the intermediate term. Efficiencies may be gained through the adoption of systems and best practices from specified sites.
- Request the CFO require the Business Management Information System (BMIS) initiative:
  - a) establish a specific goal to develop a fully integrated, automated system that closely couples funding and work authorization,
  - b) consider web basing and data warehousing in that system; and
  - c) appoint Jenifer Hackett to BMIS as the point of contact for funding and work authorization issues (with this Subcommittee continuing to support Jenifer on an ad hoc basis).

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## Background

### Why is this initiative important?

- The timely transmission of funding directly tied to work performance objectives (through Work Authorization and Program Guidance) increases Contractor responsiveness to their primary customers, the DOE Programs.
- If Contractors are able to start work sooner, large advanced funding or carryover balances are not required.
- It is responsive to the Curtis Commitment to reduce overhead and increase productivity through process simplification, improvement, and automation.
- The DOE funding process is extremely complex:
  - There are 47 program organizations at DOE-HQ that input data into the Funds Distribution System (FDS) to issue obligational authority.
  - This occurs in 52 different appropriations.
  - This funding is distributed to 53 Approved Funding Program (AFP) recipients through 24 allottees.
  - DOE issued 3,375 AFPs and 1,501 allotments in FY97.
  - There were 17,554 AFP changes in FY97.

### What are the problems?

#### Compliance with DOE Order 5700.7C

Most significantly, all PSOs do not adhere to current requirements of DOE Order 5700.7C, "Work Authorization System."

#### Coupling of Funding and Work Authorizations

Funding and Work Authorizations are not closely coupled – separate processes and differences in timing may cause further delays in when work can commence. The following diagram depicts that the Contractor cannot start work until receipt of Work Authorization/Program Guidance, Funding Authorization, and Contract Modification.

## Three Requirements to Start Work

Work Authorization/ Program Guidance	Funds Authorization	Contract Modification
<ul style="list-style-type: none"> <li>•Paper process</li> <li>•Issued as developed</li> <li>•Not closely coupled to funding</li> <li>•No central owner</li> <li>•Transmitted as follows: PSO→Ops Office→ Contractor→Ops Office</li> </ul>	<ul style="list-style-type: none"> <li>•Automated, batch process</li> <li>•Issued once a month</li> <li>•39-81 day cycle time</li> <li>•Transmitted as follows: PSO→CFO→ Ops Office→Contractor</li> </ul>	<ul style="list-style-type: none"> <li>•Amendments issued at month end</li> <li>•Transmitted as follows: Ops Office→Contractor→ Ops Office</li> </ul>

## **Background**

### Incremental Funding

The linkage between budget formulation and budget execution is weak, and current processes do not result in all funding decisions being made by PSOs prior to start of the fiscal year.

### Systems Issues

While our study determined there is already a good deal of automation being utilized in the financial community, we found, while each of these systems is performing its function well and is some form of automated data processing (ADP) application, the systems are not automatically integrated with one another.

The FDS is the primary driver of the timing of financial plan changes, as it is tied to the monthly Departmental Integrated Standardized Core Accounting System (DISCAS) cycle. Current month changes to allotments cannot be entered into the DISCAS until the prior month DISCAS data has been closed (generally after the fifth workday). Thus

the current FDS is a batch process, which is performed once a month in sync with DISCAS.

The FDS is partially integrated with the several different automated systems being used by the various field offices in that it provides an electronic AFP file to each field office each month which is used to populate their allotments with available funding.

These systems vary, in turn, with some providing electronic versions of their financial plans to their Contractors, some making files available for uploading into Contractor systems, while others provide hard copies.

There are several automation efforts completed or underway with respect to Work Authorization documents. These automation efforts tend to be sponsored by individual Headquarters program offices and are not currently shared across program lines. One such initiative is being sponsored by the Headquarters Transportation Office, where J. Michael Fielden of Oak Ridge National Laboratory is commissioned to automate their work authorization process.

## **Recommendations**

### **Compliance with DOE Order 5700.7C**

The Subcommittee concludes the single most effective action that can be taken by the BRC to accomplish near-term improvement is to more effectively ensure compliance with the requirements of DOE Order 5700.7C, "Work Authorization System."

Currently the content and timing of Work Authorizations/Program Guidance received from PSOs varies from PSO to PSO. This creates difficulty in matching Work Authorizations/Program Guidance with funding, thereby creating delays in the funding cycle.

We recommend the CFO require all PSOs adopt the following minimum standards for Work Authorizations/Program Guidance and implement these requirements no later than the FY 1999 December AFP.

These minimum requirements address the following problem areas:

- 1) Missing Work Authorization forms - significant problem
- 2) Lack of guidance or incomplete guidance packages
- 3) Guidance packages arriving at the Operations Offices after the CFO allotment
- 4) Guidance packages not being sent to the responsible Contractor and Operations Office personnel

## Recommendations

The following deliverables are to be provided for AFP changes:

1. Cover memo (or equivalent) including budget contact and phone number.
2. Either or both of
  - (a) Work Authorization Form (or equivalent) which should include the following information as outlined in DOE 5700.7C:
    - HQ programmatic point of contact, organization and phone number
    - Responsible program, i.e. Biological and Environmental Research
    - Responsible Assistant Secretary
    - Responsible Operations Office
    - Contractor name
    - Contractor technical point of contact and phone number
    - Work Authorization number/revision number (to be included in the FDS system)
    - Budget and Reporting (B&R) control level and funding amount covered by the Work Authorization form
    - Dates for performance period, work start and work completion dates
    - Statement of work (to be supplemented by narrative guidance)
    - Signature blocks (HQ, Operations Office and Contractor)
  - (b) Programmatic Guidance should include appropriate information to make the project readily recognizable by the Operations Office and the Contractor.
    - At a minimum, the project title and/or project number (i.e. Field Work Proposal, Project Baseline Summary, etc.)
    - Statement of work (project title may suffice in some cases or reference attached budget formulation document, Field Work Proposal number, etc.)
    - Applicable B&Rs
3. Table reflecting funding to date -- The table should show the last month's AFP amounts at the appropriate B&R level (i.e. at the same level narrative is being provided), with proposed changes for current month.

## **Recommendations**

Procedural requirements associated with providing these deliverables include:

1. PSOs should not initiate AFP changes without the Work Authorization.
2. All of the items listed will be transmitted to Operations Office with copies to appropriate Contractors.
3. Packages should be transmitted early enough to reach the field a week to ten days before the CFO signs the AFPs.

The CFO will maintain a list of funding and work authorization points of contact at the Contractors and the Operations Offices, which will be provided to each PSO prior to the FY 1999 December AFP. This list should be used as a guide for Programmatic Guidance recipients (additional recipients may be added, as appropriate).

### **Issue new budget policy on full funding**

The Subcommittee requests that the CFO include in budget policy a requirement for PSOs to distribute full annual funding as early in the fiscal year as possible. This would make DOE's funding policy consistent with DOE Order 5700.7C, and will facilitate closer coupling of funding and work authorization.

### **Implement best practices in field**

The Subcommittee requests that the BRC strongly encourage Operations Offices and Contractors to implement best practices and to investigate further automation of funding and work authorization processes to reduce cycle time in the intermediate term. There are several automated systems currently in use by several offices, any of which can be made available to other sites for minimal investment. These systems currently reside at Idaho, Nevada, Oak Ridge, and Richland.

### **Long term systems initiatives**

There are several underlying objectives that we kept in mind as we looked over the long-term horizon. Specifically,

- 1) DOE should move toward a system for real-time transmission of funding and work authorization with electronic approvals/releases, and
- 2) we should more closely couple the budget formulation and budget execution processes.

## Recommendations

However, as noted in the background section, the HQ FDS is the main driver of the dates associated with the current AFP process and the current system is basically handled as a monthly batch process. To move toward the objective to make any significant change in the processing time with the current system, we must move away from a batch concept to a real-time system. Such an undertaking would be a large project requiring significant capital investment over several years.

We further note that significant advances in technology have been realized recently with the opportunity to deploy software and systems via the Internet. Data can be easily and quickly retrieved with this approach. For example, for budget formulation one Field Office has converted its automated budget formulation system to a web-based system that Contractors populate and use to submit their budgets to the field office. This web application can be made available to HQ for extraction and uploading of data into their current systems.

To become really useful, HQ and Field offices need to develop a list of data products that should be stored/deposited in a data warehouse, along with a schedule of when such products should be stored or updated. For example, the annual budget crosscuts from each of the field sites would be due in the warehouse by the due date in the Field Budget Call. While this approach does not totally integrate all existing systems, it does provide a rather inexpensive vehicle for sharing of databases and reduces re-keying of data, and should move us closer to enabling budget formulation processes directly feeding budget execution.

During the course of this Subcommittee's activities, the team members have gained a great deal of perspective into the requirements, systems and flows associated with the entire DOE AFP process, including HQ, the Field Sites, and the Contractors. We consider this knowledge base to be a valuable resource to the department for the development of a new AFP process. However, it is the understanding of this Subcommittee that the BMIS initiative is already looking into a major system replacement for not just this area, but DISCAS as well.

Therefore, rather than begin a similar parallel undertaking, this Subcommittee requests the CFO require the BMIS initiative:

- 1) establish a specific goal to develop a fully integrated, automated system that closely couples funding and Work Authorization,
- 2) consider web basing and data warehousing in that system; and
- 3) appoint Jenifer Hackett to BMIS as the point of contact for funding and work authorization issues (with this Subcommittee continuing to support Jenifer on an ad hoc basis).

## Issues

Here are the issues the Subcommittee feels will likely be raised in response to our recommendations.

- The current funding processes create a series of checks and balances. While adding value, these checks and balances create some duplication of effort. There may be opportunities to combine some steps and further streamline the processes through a fully integrated, automated system.
- Minimum requirements presented here go hand-in-hand with DOE Order 5700.7C. That Order is currently being reviewed for reformatting. However, it was the intent of this Subcommittee to work within the confines of 5700.7C direction currently available. Also please note that the minimum requirements set forth are being considered by members of the 5700.7C reformatting team.
- The Subcommittee understands and agrees that there may be variations for programs that issue a majority of their funding at the beginning of each fiscal year. Those programs may use another mechanism besides the Work Authorization form, as long as the minimum requirements are satisfied.

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## **Conclusion**

Formation of this Subcommittee presented an excellent opportunity for representatives from across the DOE community to work together to develop a more detailed, complete understanding of the funding and work authorization process and to identify improvement opportunities. While each participant understood his or her own part of the process, it was clear the entire cycle from beginning to end was not fully understood at the onset of this initiative.

In today's world of ever more sophisticated computer systems with greater connectivity, it seems clear DOE should indeed be moving toward more integration of systems for processing Funding, Work Authorizations and Program Guidance packages. This Subcommittee recommends that and urges that the first step is uniform procedures across the PSOs.

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## **Appendix A - Subcommittee Members**

### **BRC Co-Champions**

Tom Baranouskas, Pacific Northwest National Laboratory

Terry Olsen, Idaho National Engineering and Environmental Laboratory

### **DOE/HQ Representatives**

Jean Cowan - Energy Research

Peachy Danner - Office of Chief Financial Officer; Corporate Financial Systems

Patrick Edgerton - Defense Programs

Paul Kelley - Office of Chief Financial Officer

Pat Lach - Office of Chief Financial Officer

Dick Mehl - Office of Associate Deputy Secretary for Field Management

David Smith - Energy Efficiency and Renewable Energy

Debbie Voigt - Environmental Management

### **DOE Field Office Representatives**

Kathy Carrillo - Albuquerque Operations Office

Jenifer Hackett - Oak Ridge Operations Office

Chris Herndobler - Richland Operations Office

### **Contractor Representatives**

Dick Blogg - Argonne National Laboratory

Jeffrey Kallio - Sandia National Laboratories

Bryan Kendrick - Oak Ridge National Laboratory

Gary Louie - Pacific Northwest National Laboratory

Richard McLendon - Sandia National Laboratories

Marijo Myers - Sandia National Laboratories (Lead)

Amy Sahota - Los Alamos National Laboratory

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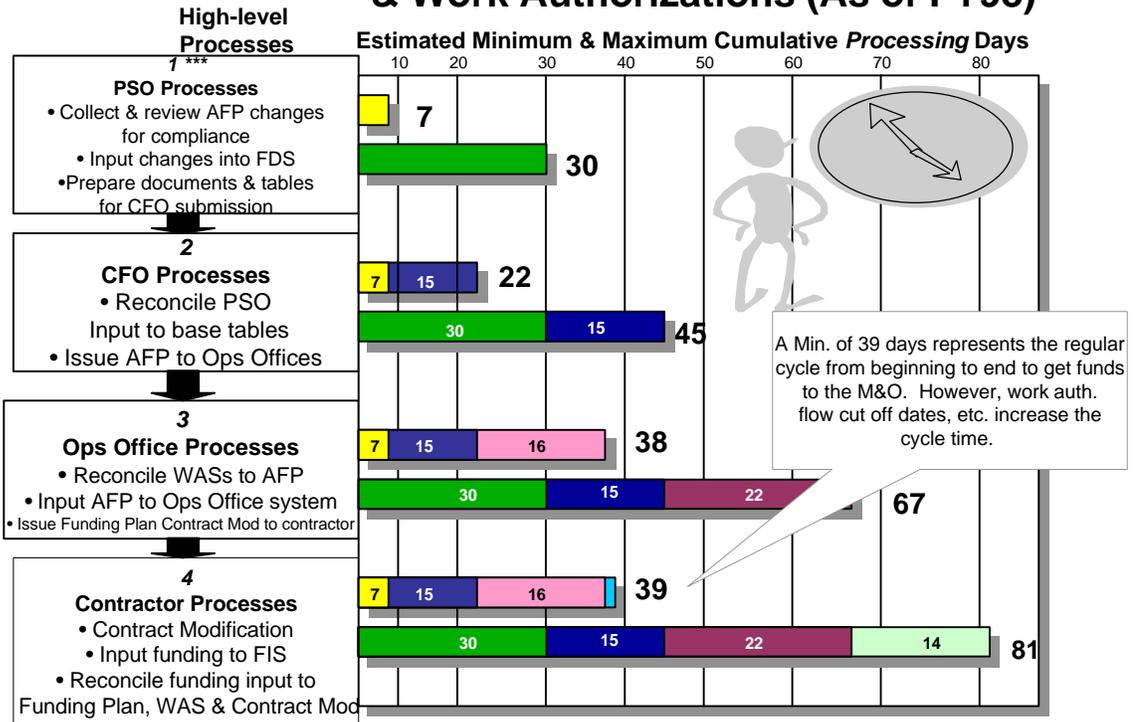
## **Appendix B - Study Milestones**

- February 1998      Subcommittee chartered
- March 4, 1998      Video conference
  - Formed subcommittee
  - Gained an understanding of the background for the BRC initiative
  - Agreed on goal of the Subcommittee
  - Initial discussions on the current funds authorization process flow
- April 15, 1998      Meeting
  - Gained an understanding and documented the current funds authorization process flow, best practices and issues
  - Brainstormed opportunities to reduce cycle time for funds authorization and Work Authorization
- April 29, 1998      Status report to BRC
- July 10, 1998      Meeting
  - Identified opportunities to shorten cycle time that can be accomplished by 10/1/98
  - Identified longer term options
  - Identified deliverables to the BRC
- August 31, 1998      Video Conference
  - Reviewed draft deliverables to the BRC
  - Discussed report format
- October 1, 1998      Final report to the BRC

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## Appendix C - Current Baseline of the Funding Process

### Calendar Days Required to Process Funding & Work Authorizations (As of FY98)



\*\*\* PSO processes commence upon the cutoff from the previous batch of AFP changes submitted to the CFO.

## Current Baseline of the Funding Process

### Additional PSO and CFO Process Descriptions

#### 1. PSO Processes

- Review AFP change requests for compliance with funding restrictions/regulations
- Prepare AFP change forms (AFP input worksheets)
- Obtain Program Manager's signature approving requested change
- Enter AFP changes into FDS
- Prepare Explanation of Changes (EOC), Funds Certification, and any other appropriate tables for CFO submission
- Prepare Work Authorizations
- Finalize AFP and obtain appropriate signatures
- Obtain concurrence signatures—team leaders, program managers and Deputy Assistant Secretaries (DAS)
- Provide EOCs to field budget contacts
- Begin preparation of Work Authorization/Guidance Package
- Send signed Work Authorizations to appropriate DAS and Operations Offices with copies to the Contractors

Discriminator: *7 to 30 days due to 7-10 days to gather documents i.e., Work Authorizations, etc., and input into the system. 30 days is based on the CFO cutoff cycle.*

#### 2. CFO Processes

- Receive PSO monthly AFP changes; verify PSO approving officials; and ensure funds are certified available for withdrawal (HQ and Field) at obligational control levels
- Produce AFP confirm worksheets; check data for accuracy and adherence to Congressional Office of Management and Budget (OMB), and Departmental controls (Base Table, appropriations, etc.); identify and analyze variances; and resolve variances with PSOs or justify variances to approving officials
- Review AFP changes and related documents to ensure funds are being used in accordance with OMB, Congressional, and Departmental guidance and intent
- Perform end-of-month Financial Information System/Management Analysis Reporting System interface processing
- Assign all legal restrictions to applicable allotments and accompanying AFPs
- Produce monthly AFPs, allotments, and management summaries for all 54 appropriation accounts and allottees; perform final management review; sign documents
- Execute automated processes; AFP approval; DISCAS interface; and electronic transmission of AFPs to allottees

## Current Baseline of the Funding Process

### Additional Ops Office and Contractor Process Descriptions

#### 3. Ops Office Processes

- Receive HQ AFP
- Enter allotments into Budget Distribution System and DISCAS
- Match Work Authorization against funding received
  - Obtain copy of Work Authorization from DOE Program Office or Contractor if no match
- Allocate funds in budget system after match with Work Authorization
- Perform funds control checks and send obligation entries to DISCAS
- Prepare and issue electronic financial plans to Contractors
- Prepare Contract Modifications and deliver to Contractors

Discriminator: *16 to 22 days due to reconciling all documents necessary to pass on the information to the Contractor. Operations Office processes are different between the Operations Offices.*

#### 4. Contractor Processes

- Receive HQ AFP for reference purposes only
- Receive preliminary financial plan
- Receive electronic Funding Plan
- Input funding into financial information systems before or after month-end
- Reconcile funding input to financial information systems to the Funding Plan to Work Authorization to Contract Modifications
- Notify the Operations Office of any concerns or needed corrections

Discriminator: *1 to 14 days are due to reconciling all documents, reconciling Funding Plan, Work Authorizations, and Contract Modifications.*

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## **Appendix D - Previous and Current Initiatives to Improve Efficiency and Reduce Funding Cycle Time**

### **FY98 ACCOMPLISHMENTS**

### **IMPACT**

CFO organization initiated a process change where PSOs input Approved Funding Plan (AFP) changes directly into the Funds Distribution System (FDS). Previously PSOs would submit their AFP changes hard copy to the CFO organization that then made the AFP changes to the FDS.

Eliminates duplicative work by PSOs and the CFO organization. Provides PSOs approximately 4 to 5 additional days in each month's cycle to accept AFP changes from field elements.

CFO Organization activated 111-digit field in FDS to allow the Work Authorization form number in the associated AFP issued to field elements.

Facilitate PSO, Field Office and Contractor reconciliation of the Work Authorization to the related AFP thus reducing cycle time.

Contractors are coordinating all funding requests through their respective Operations Office.

Potentially eliminate need for HQ AFP change(s) if the funding requirement can be accommodated locally at the Field Office level.

Established a comprehensive list of best practices affecting the funding cycle.

Implementation of these best practices with the support of the BRC should make the cycle more efficient and reduce days.

Established a baseline of the funding cycle incorporating activities of PSO, CFO, Field, and Contractors.

Can now measure impact of improvements and provide defined bounds to the process.

Documented the prior and FY98 improvement activities.

Documents improvements made and successful actions for future reference and make visible to critics of the funding and work authorization process.

Provide the BRC with actions they can take to significantly reduce the cycle time of the funding and work authorization process.

If the BRC takes these actions, significant reductions in funding and work authorization cycle time can be realized.

Provide a path forward to the BRC on a longer-term plan to make an additional impact in the funding and work authorization cycle.

Compared to the Subcommittee's FY98 activity, this long-term approach offers a more significant step function impact in the funding and work authorization cycle.

## **Previous and Current Initiatives to Improve Efficiency and Reduce Funding Cycle Time**

### **PRE-AFP SUBCOMMITTEE IMPROVEMENTS**

### **IMPACT**

#### **PSO**

Budget data system implemented by Energy Research.

The ER standardization of Work Authorization/Guidance Packages represents a best practice to be recommended as a standard to the BRC.

#### **CFO**

Full implementation of the new DOE Financial Data System.

Cycle time reduction by providing AFP data to field 5 to 7 days earlier.

Delegation of signature authority for the release of allotments and AFPs by the Office of Budget.

One-half day cycle time reduction.

#### **Operations Offices**

Implementation of new automated funds control/distribution system.

Processing of contractor financial plans/contract modifications are reduced from 3 - 4 days to 1 day. Provides optional reporting capabilities.

Release of a “preliminary” Financial Plan or AFP to Contractors prior to month end.

This allows Contractors extra time prior to month end closing to identify funding changes with the appropriate Work Authorization. No specific reduction in cycle time but keeps contractor books in sync with field books for the month. If identification of funds is not completed by month end, Principal Investigators (PI) will not see the funding changes in the current financial reports.

## **Previous and Current Initiatives to Improve Efficiency and Reduce Funding Cycle Time**

### **PRE-AFP SUBCOMMITTEE IMPROVEMENTS**

### **IMPACT**

#### **Operations Offices**

HQ-AFP is made available by Operations Office to Contractor and used for reference purpose only to assist in funds identification with specific contractor projects by month end, PIs will not see the funding changes in the current financial reports.

No specific reduction in cycle time but allows Contractors additional time for identification of funds. If identification of funds is not completed by month end, PIs will not see funding changes in the current financial reports.

Established a quick written notification process authorizing Contractors to start/continue work pending receipt of Work Authorization or next financial plan/contract modification.

Quick and easy procedure for non-routine/emergency requests.

Share financial plan/contract modification worksheets with Contractors or allow read-only access to Operations Office budget system.

Provides Contractor early notification of funds to be obligated to the financial plan/contract modification.

#### **Contractors**

Automatic e-mail message/electronic funds allocation system message to contractor PI.

Cycle time reduction of 2 to 5 days. Immediate funding notification to PI when Contractor inputs funding changes to contractor financial system.

# Previous and Current Initiatives to Improve Efficiency and Reduce Funding Cycle Time

## PRE-AFP SUBCOMMITTEE IMPROVEMENTS

## IMPACT

### Contractors

Receiving an electronic version of the contractor financial plan or AFP from the Operations Office.

Potentially 1-day reduction in cycle time. Electronic uploading of the Contractor financial plan into their financial system could eliminate/reduce manual input. A major constraint is with the financial plan detail being consistent with contractor data requirements. The electronic files also support the automation of funds reconciliation.

Strong communications between Contractor and PSOs.

No direct cycle time reduction, but assists in funding identification. The Contractor requires both the AFP/financial plan and Work Authorization prior to the start of work, but the two systems are separate and not synchronized. To assist in effectively obtaining all documentation, Contractors routinely communicate with PSOs for draft copies of Work Authorizations. In some instances PSOs include Contractors on distribution of Work Authorization documents.

Receiving an electronic version of the B&R tables from DOE.

No impact to the cycle time. B&R and Fund Type recasts create excessive manual effort to update contractor data tables. Access to electronic B&R tables enables uploading to contractor financial systems results in reduced staff effort.

## **Appendix E - Funding and Work Authorization Cycle Time Best Practices and Issues**

### **CFO**

#### Best Practices

- Centralized control, uniform, consistent basis for funding
- Integrated and automated process
- Funding within legal requirements and Congressional intent
- Maintains integrity and tracking from birth to death
- Maintains audit trails
- Centralized support to PSOs
- Standardizes, automates and controls issuance of Work Authorization to field
- AFP changes not processed without Work Authorization/Explanation of Changes

#### Issues

- Reduced staff levels
  - Maintaining current capabilities
  - Deviations from formal process
- Concern over degradation of centralized control and tracking
- Propensity for:
  - Data integrity problems
  - Inconsistency in administration of funds
  - Data reconciliation
- Lack of trust
- Lack of understanding of process
- Lack of communication

## **Funding and Work Authorization Cycle Time Best Practices and Issues**

### **PSO**

#### Best Practices

- Program managers planning ahead and getting funds out ASAP
- Work Authorization, guidance, base tables and other pertinent data to field prior (7-10 days) to allotment
- Provide programmatic guidance and accompanying tables at lowest level B&R

#### Issues

- Start of funding process
  - Project approval?
  - PSO input into CFO system?
- Securing certification for funds withdrawal from Operations Office
- Draft Work Authorization adds no value
- HQ can't automate to point of losing accountability
- 'Revolving door' for AFPs creates more workload and delays
- Difference of opinion among PSOs regarding proper B&R level for AFP

### **Operations Offices**

#### Best Practices

- Communications
- Share HQ AFP with Contractors early in month (for info purposes only)
- Recent system automation enhances funds control/timeliness of allocations to Contractors
- Provide preliminary financial plan and obligation notices to Contractors
- Advise Contractor of funds received which it can't distribute
- Provide quick written notification to start/continue work

#### Issues

- Lack of Work Authorization/Guidance is major problem
- Work authorization practices differ among PSOs
- Lack of consistent numbering makes tracking difficult
- Incremental funding received
- Wrong Contractor identified in HQ AFP
- Program Managers don't always follow through with funding commitments or make AFP deadlines
- Disconnect between DOE and Contractor's fiscal month

## **Funding and Work Authorization Cycle Time Best Practices and Issues**

### **Contractors**

#### Best Practices

- Receive B&R tables electronically
- Receive preliminary copy of HQ AFP
- Receive AFP electronically
- Contact Operations Office when AFP funding received without Work Authorization
- Reconcile AFP/Work Authorization/Contract Modification monthly
- Electronic process to notify project manager of funding
- In emergency, Operations Office authorizes Contractor to start/continue work when either funds or Work Authorization not received but in process

#### Issues

- No automation to Contractor, paper and resource intense
- Multiple hand-offs resulting in funding and work delays
- Work Authorization not coupled with proposals or AFP - requires reconciliation
- Stricter standard for other Federal agency (OFA) advanced funding than DOE
- Can't tie work by multiple Contractors on same project
- Not easy to deobligate funds
- Cycle time = 39-81 days
- Work Authorization practices differ among PSOs

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## **Appendix F - Regional Banking Concept**

Material in this appendix summarizes a concept considered by the Subcommittee but not formally proposed at this time.

### **Background:**

Currently, HQ PSOs issue funds to Field Elements throughout the fiscal year to accomplish mission program activities. Some PSOs provide the majority of funds to field elements to fully finance activities early in the year, whereas other PSOs tend to fund activities incrementally during the year. In the latter situation, the PSOs in conjunction with CFO staff tend to operate on a “centralized banking concept” i.e., funds are held at HQ pending finalization of programmatic decisions, preparation of Program Guidance, evaluation of proposals, etc. Those funds not issued to the field elements must be allotted to the PSOs at HQ for execution; i.e., funds are not held in a reserve category by the CFO. PSOs initiate changes through the Department’s monthly AFP and allotment process to release funds from the “central bank” to the cognizant field office (regional banks) for subsequent placement into contracts.

### **Proposal:**

“Regional banking” implies that PSOs will determine, as early as possible in the FY, the annualized or total amount of funding that will be made available to the appropriate Field Office/Contractor for each program, project or activity that will receive funding. These annualized amounts would then be issued to the respective field offices through the AFP and allotment system. Field offices (regional banks) must hold these funds pending receipt of the associated Work Authorization/Program Guidance from HQ PSOs. Subsequently, PSOs can then issue Work Authorizations (as frequently as needed) to the cognizant field offices (regional banks) authorizing the release of the “pre-positioned” or block funding for obligation into contracts to perform work. Monthly AFP changes will still be needed to adjust allocations and/or withdraw funds from Field Offices/Contractors by appropriation, program, project and activity.

## **Regional Banking Concept**

### **Pros:**

Will permit use of existing Departmental financial systems without costly modifications or enhancements.

In general, greatly reduce the cycle time for processing monthly incremental funding changes at HQ since annualized funding will be prepositioned early in the fiscal year.

Place more control in the hands of HQ program managers, i.e., they can authorize release of funds to Contractors via a Work Authorization on their own schedule and as frequently as desired, even daily.

Field Offices and Contractors will have a good idea of how much funding they can anticipate for the year to accomplish mission program activities which in turn will facilitate planning.

### **Cons/Sensitivities:**

PSOs may be concerned that issuing block funding to field offices may usurp their management/control prerogatives.

May be trust problem - PSOs may want some safeguards to ensure funds won't be released from the "regional banks" to Contractors until they issue appropriate Work Authorization/Program Guidance.

HQ CFO/PSO analysts may not be able to effectively review/assess block funding provided to the field since viable "Explanation of Change" documentation will probably not be provided by program managers until funds are subsequently authorized via issuance of a Work Authorization.

PSOs and field office financial staff will be burdened with receipt of numerous Work Authorization forms throughout the month from HQ program managers which will be disruptive to their daily operations, and from the field office perspective, may necessitate issuance of multiple financial plans/contract modifications each month to Contractors.

Proposal will not remedy some of the existing work authorization related problems (e.g., inconsistent application by PSOs, late issuance, no automation, etc.).

Will increase PSO workload by necessitating monitoring the "untasked" funds at the field offices (regional banks) versus one central untasked amount at HQ (central bank).

Increased risk that PSOs may forget to "task" all funds held in regional banks by year-end, thus resulting in unobligated carryover balances to justify (see Potential Remedies below).

## **Regional Banking Concept**

Proposal will destroy current process of having a disciplined, formalized monthly schedule for issuance of funding to field elements; disrupt daily staff work activities at HQ and the field; and decrease planning and scheduling activities.

Will increase, not decrease, the number of funding changes made during the year since limited planning will be required under the “real time”, unscheduled funding concept.

### **Potential Remedies:**

Trust Issue: Restrictions on field office allotments could provide assurances that funds will not be released for obligation by field offices until PSOs issue appropriate Work Authorization/Program Guidance (raises Anti-deficiency act violation issues).

HQ Review of Funding Allocations: HQ CFO/PSO analysts could review/concur on each Work Authorization as a substitute for the “Explanation of Change” documentation normally accompanying AFP changes.

Monitoring Untasked Funds: Field elements could assist in monitoring untasked funds held in the “regional banks” and provide status reports to cognizant PSOs as required.